

NEWS RELEASE

FOR RELEASE

Hunzelman, Putzier & Co., PLC today released an audit report on Sac County, Iowa.

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances.

The County had local tax revenue of \$12,595,582 for the year ended June 30, 2004, which included \$821,760 in tax credits from the state. The County forwarded \$8,459,538 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$4,136,044 of the local tax revenue to finance County operations, a nine percent increase from the prior year. Other revenues included charges for service of \$1,075,408, operating grants and contributions of \$3,172,683, capital grants and contributions of \$496,969, unrestricted investment earnings of \$85,635 and other general revenues of \$312,035.

Expenses for County operations totaled \$8,639,806, a five percent decrease from the prior year. Expenses included \$3,610,098 for Roads and Transportation, \$1,392,418 for Mental Health and \$1,382,391 for Public Safety.

A copy of the audit report is available for review in the office of the Auditor of the State and the County Auditor's office.

SAC COUNTY

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

JUNE 30, 2004

SAC COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2004

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SAC COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Bensley	Board of Supervisors	Jan. 2005
Rick Hecht	Board of Supervisors	Jan. 2007
Dean Stock	Board of Supervisors	Jan. 2007
James W. Dowling	County Auditor	Jan. 2005
Vicki Peyton	County Treasurer	Jan. 2007
Linda Siebrecht	County Recorder	Jan. 2007
Roger Owens	County Sheriff	Retired Nov. 2003
Ken McClure	County Sheriff (Elected Jan. 2004)	Jan. 2005
Earl Hardisty	County Attorney	Jan. 2007
Robert Hawks	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Sac County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sac County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Sac County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 12 to the financial statements, management has not recorded capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America requires that capital assets be recorded and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of Sac County at June 30, 2004 and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

As described in Note 13 to the financial statements, during the year ended June 30, 2004, Sac County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2004 on our consideration of Sac County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The County has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Budgetary comparison information on pages 25 through 27 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sac County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed qualified opinions on those financial statements, because the general fixed asset account and materials and supplies inventory were omitted. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungelman, Putzier & Co.

September 23, 2004

SAC COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2004

Exhibit A

Governmental
Activities

ASSETS

Cash and pooled investments	\$ 3,021,304
Receivables:	
Property tax:	
Delinquent	7,370
Succeeding year	3,754,288
Interest and penalty on property tax	10,303
Accounts, net of allowance for doubtful accounts of \$83,356	515,657
Accrued interest	24,194
Drainage assessments	26,670
Due from other governments	113,161
Inventories	458,541
Total assets	<u>7,931,488</u>

LIABILITIES

Accounts payable	493,725
Accrued interest payable	45,181
Salaries and benefits payable	41,427
Deferred revenue:	
Succeeding year property tax	3,754,288
Long-term liabilities:	
Portion due or payable within one year:	
Note payable	9,798
Compensated absences	122,415
Portion due or payable after one year:	
Drainage warrants/drainage improvement certificates payable	268,242
Total liabilities	<u>4,735,076</u>

NET ASSETS

Restricted for:	
Mental health purposes	120,713
Secondary roads purposes	1,872,686
Drainage district purposes	(191,742)
Debt service	20,223
Other purposes	334,270
Unrestricted	1,040,262
Total net assets	<u>\$ 3,196,412</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 1,382,391	\$ 508,196	\$ 9,336	\$ -	\$ (864,859)
Physical health and social services	587,210	226,343	198,492	-	(162,375)
Mental health	1,392,418	4,165	713,808	-	(674,445)
County environment and education	518,154	27,793	9,561	-	(480,800)
Roads and transportation	3,610,098	87,261	2,204,601	86,742	(1,231,494)
Governmental services to residents	298,608	178,700	36,885	-	(83,023)
Administration	779,337	42,950	-	-	(736,387)
Non-program	70,135	-	-	410,227	340,092
Interest on long-term debt	1,455	-	-	-	(1,455)
Total	<u>\$ 8,639,806</u>	<u>\$ 1,075,408</u>	<u>\$ 3,172,683</u>	<u>\$ 496,969</u>	<u>(3,894,746)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					3,859,240
Debt service					21,941
Penalty and interest on property tax					29,806
State tax credits					254,863
Grants and contributions not restricted to specific purpose					265,123
Unrestricted investment earnings					85,635
Miscellaneous					<u>17,106</u>
Total general revenues					<u>4,533,714</u>
Change in net assets					638,968
Net assets beginning of year					<u>2,557,444</u>
Net assets end of year					<u>\$ 3,196,412</u>

See notes to financial statements.

SAC COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

Exhibit C

	Special Revenue					
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
<u>ASSETS</u>						
Cash and pooled investments	\$ 799,251	\$ 240,402	\$ 4,257	\$ 1,564,676	\$ 412,718	\$ 3,021,304
Receivables:						
Property tax:						
Delinquent	5,423	1,198	706	-	43	7,370
Succeeding year	2,239,643	432,500	1,068,573	-	13,572	3,754,288
Interest and penalty on property tax	10,303	-	-	-	-	10,303
Accounts	264,426	58,337	-	192,894	-	515,657
Accrued interest	23,460	-	-	-	734	24,194
Drainage assessments	-	-	-	-	26,670	26,670
Due from other governments	92,669	5,291	-	-	15,201	113,161
Inventories	-	-	-	458,541	-	458,541
Total assets	<u>\$ 3,435,175</u>	<u>\$ 737,728</u>	<u>\$ 1,073,536</u>	<u>\$ 2,216,111</u>	<u>\$ 468,938</u>	<u>\$ 7,931,488</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 22,449	\$ 178,735	\$ -	\$ 292,541	\$ -	\$ 493,725
Interest payable	-	-	-	-	45,143	45,143
Salaries and benefits payable	35,359	-	4,242	1,826	-	41,427
Deferred revenue:						
Succeeding year property tax	2,239,643	432,500	1,068,573	-	13,572	3,754,288
Other	197,200	847	300	-	26,706	225,053
Total liabilities	<u>2,494,651</u>	<u>612,082</u>	<u>1,073,115</u>	<u>294,367</u>	<u>85,421</u>	<u>4,559,636</u>
Fund balances:						
Reserved for:						
Inventories	-	-	-	458,541	-	458,541
Drainage warrants	-	-	-	-	(31,153)	(31,153)
Future expenditures	-	-	-	-	80,983	80,983
Debt service	-	-	-	-	138	138
Unreserved, reported in:						
General fund	940,524	-	-	-	-	940,524
Special revenue funds	-	125,646	421	1,463,203	333,549	1,922,819
Total fund balances	<u>940,524</u>	<u>125,646</u>	<u>421</u>	<u>1,921,744</u>	<u>383,517</u>	<u>3,371,852</u>
Total liabilities and fund balances	<u>\$ 3,435,175</u>	<u>\$ 737,728</u>	<u>\$ 1,073,536</u>	<u>\$ 2,216,111</u>	<u>\$ 468,938</u>	<u>\$ 7,931,488</u>

See notes to financial statements.

SAC COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Exhibit D

Total governmental fund balances	\$3,371,852
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	225,053
Long-term liabilities, including notes payable, accrued interest payable, compensated absences payable, and drainage warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(400,493)</u>
Net assets of governmental activities	<u>\$3,196,412</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

Exhibit E

	Special Revenue					
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
Revenues:						
Property and other County tax	\$ 2,376,524	\$ 544,523	\$ 936,767	\$ -	\$ 21,932	\$ 3,879,746
Interest and penalty on property tax	27,543	-	-	-	-	27,543
Intergovernmental	560,057	1,006,512	50,460	2,291,343	47,795	3,956,167
Licenses and permits	3,607	-	-	8,468	-	12,075
Charges for service	732,466	4,165	-	30,839	29,628	797,098
Use of money and property	100,429	-	-	-	1,942	102,371
Miscellaneous	5,877	-	720	47,954	422,813	477,364
Total revenues	<u>3,806,503</u>	<u>1,555,200</u>	<u>987,947</u>	<u>2,378,604</u>	<u>524,110</u>	<u>9,252,364</u>
Expenditures:						
Operating:						
Public safety and legal services	1,363,651	-	-	-	15,550	1,379,201
Physical health and social services	601,221	-	-	-	-	601,221
Mental health	-	1,386,637	-	-	-	1,386,637
County environment and education	291,890	-	227,292	-	-	519,182
Roads and transportation	-	-	-	2,988,146	-	2,988,146
Governmental services to residents	298,847	-	-	-	787	299,634
Administration	779,160	-	-	-	-	779,160
Non-program	-	-	-	-	70,135	70,135
Debt service	-	-	-	-	21,504	21,504
Capital projects	-	-	-	616,612	397	617,009
Total expenditures	<u>3,334,769</u>	<u>1,386,637</u>	<u>227,292</u>	<u>3,604,758</u>	<u>108,373</u>	<u>8,661,829</u>
Excess (deficiency) of revenues over expenditures	<u>471,734</u>	<u>168,563</u>	<u>760,655</u>	<u>(1,226,154)</u>	<u>415,737</u>	<u>590,535</u>
Other financing sources (uses):						
Operating transfers in (out)	(87,811)	-	(827,335)	915,146	-	-
Drainage district warrants	-	-	-	-	(294,194)	(294,194)
Total other financing sources (uses)	<u>(87,811)</u>	<u>-</u>	<u>(827,335)</u>	<u>915,146</u>	<u>(294,194)</u>	<u>(294,194)</u>
Net change in fund balances	383,923	168,563	(66,680)	(311,008)	121,543	296,341
Fund balances, beginning of year	<u>556,601</u>	<u>(42,917)</u>	<u>67,101</u>	<u>2,232,752</u>	<u>261,974</u>	<u>3,075,511</u>
Fund balances, end of year	<u>\$ 940,524</u>	<u>\$ 125,646</u>	<u>\$ 421</u>	<u>\$ 1,921,744</u>	<u>\$ 383,517</u>	<u>\$ 3,371,852</u>

See notes to financial statements.

SAC COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Exhibit F

Net change in fund balances - Total governmental funds \$296,341

Amounts reported for governmental activities in the Statement of
 Activities are different because:

Because some revenues will not be collected for several months after the
 County's year end, they are not considered available revenues and are
 deferred in the governmental funds as follows:

Property tax	\$ 1,435	
Other	<u>24,975</u>	26,410

Repayment of long-term liabilities is an expenditure in the governmental funds,
 but the repayment reduces long-term liabilities in the Statement of Net Assets. 315,698

Some expenses reported in the Statement of Activities do not require the
 use of current financial resources and, therefore, are not reported as
 expenditures in governmental funds, as follows:

Compensated absences	1,974	
Interest on long-term debt	<u>(1,455)</u>	<u>519</u>

Change in net assets of governmental activities \$638,968

See notes to financial statements.

SAC COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2004

Exhibit G

ASSETS

Cash and pooled investments:	
County Treasurer	\$ 537,219
Other County officials	30,512
Receivables:	
Property tax:	
Delinquent	20,047
Succeeding year	7,894,670
Accounts	14,385
Due from other governments	2,090
Total assets	<u>8,498,923</u>

LIABILITIES

Accounts payable	3,998
Salaries and benefits payable	950
Due to other governments	8,493,975
Total liabilities	<u>8,498,923</u>

Net assets	<u>\$ -</u>
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See notes to financial statements.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sac County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sac County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Sac County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred fifty-two drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Sac County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Sac County Auditor's office.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Sac County Assessor's Conference Board, Sac County Emergency Management Commission, Sac County Solid Waste Agency, and Sac County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in Agency Funds of the County.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in two categories.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

Additionally, the County reports the following funds:

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues, (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004; and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2003.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable - Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Assessments receivable represent assessments which are due and payable but have not been collected.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities and Fund Equity - (Continued)

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, and unspent grant proceeds.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide or fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, and Secondary Roads Funds.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted in any functions.

2. CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2004 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

2. CASH AND POOLED INVESTMENTS - (Continued)

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$34,155 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 87,811
	Special Revenue:	
	Rural Services	<u>827,335</u>
Total		<u>\$915,146</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Trust and Agency:		
County Assessor	Collections	\$ 222,381
Schools		5,384,248
Community Colleges		297,526
Corporations		1,889,357
Townships		166,651
Auto License and Use Tax		243,375
Agricultural Extension		103,374
All other		<u>187,063</u>
Total		<u>\$8,493,975</u>

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

5. CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	<u>Note</u> <u>Payable</u>	<u>Compensated</u> <u>Absences</u>	<u>Drainage</u> <u>Warrants</u>	<u>Total</u>
Balance, beginning of year	\$29,787	\$126,603	\$562,436	\$718,826
Increases	-	-	53,693	53,693
Decreases	<u>19,989</u>	<u>4,188</u>	<u>347,887</u>	<u>372,064</u>
Balance, end of year	<u>\$ 9,798</u>	<u>\$122,415</u>	<u>\$268,242</u>	<u>\$400,455</u>
Due within one year	<u>\$ 9,798</u>	<u>\$122,415</u>	<u>\$ -</u>	<u>\$132,213</u>

Note Payable

A summary of the County's June 30, 2004 notes payable is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	4.75	<u>\$9,798</u>	<u>\$ 476</u>	<u>\$10,274</u>

During the year ended June 30, 2002, the County borrowed \$110,000 for the construction of a communications tower. \$100,202 of the principal has been repaid.

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

6. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$156,740, \$155,317, and \$151,638 respectively, equal to the required contributions for each year.

7. RISK MANAGEMENT

Sac County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2004 were \$135,135.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual-member basis.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

7. RISK MANAGEMENT - (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for worker's compensation claims in excess of \$1,000,000 and employee blanket bond claims in excess of \$20,000 for all employees except for the Treasurer who is insured in the amount of \$50,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. CONSTRUCTION COMMITMENT

The County had entered into the following contract prior to June 30, 2004 which has not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Cost Incurred as of 6-30-04</u>	<u>Remaining Commitment of 6-30-04</u>
Concrete patching on M-35	\$322,912	\$219,275	\$103,637

The balance remaining at June 30, 2004 will be paid as work on the project progresses.

9. INTERGOVERNMENTAL AGREEMENTS

The County entered into an agreement with the Sac County Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, to provide for the disposal of solid waste. For the year ended June 30, 2004, \$45,624 was paid for landfill fees pursuant to the agreement.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The costs to the Agency for compliance with these requirements have been estimated at \$732,414 according to the Agency's latest audit report available which was for the year ended June 30, 2003.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

9. INTERGOVERNMENTAL AGREEMENTS - (Continued)

The Agency has demonstrated financial assurance for closure and post closure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code.

10. JUVENILE DETENTION CENTER

The County participates in Northwest Iowa Multicounty Regional Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Center is to establish and maintain a juvenile detention facility and related services. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the accrual basis, and the transactions of the Center are not included in the financial statements of the County. The Center's activity for the fiscal year ending June 30, 2004, which is the latest information available, is summarized as follows:

Net assets, beginning of year	\$192,980
Revenues	548,919
Expenses	<u>493,392</u>
Net assets, end of year	<u>\$248,507</u>

The financial statements of the Center are available at the Center's administrative office in Cherokee, Iowa.

11. INDUSTRIAL REVENUE BONDS

The County has issued a total of \$3,500,000 of industrial revenue bonds (EVAPCO, Inc. Project) under the provisions of Chapter 419 of the Code of Iowa, of which \$2,840,000 is outstanding at June 30, 2004. The bonds and related interest are payable solely by the borrower, and the bond principal and interest do not constitute liabilities of the County.

12. CAPITAL ASSETS

The County has not recorded capital assets and the related depreciation and thus, the effect of this is not reflected in the financial statements.

13. ACCOUNTING CHANGE AND RESTATEMENTS

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

13. ACCOUNTING CHANGE AND RESTATEMENTS - (Continued)

The government-wide financial statements report the County's governmental activities. Beginning net assets for governmental activities has been restated to include the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$3,075,511
GASB 34 adjustments:	
Long-term liabilities	(716,710)
Deferral of long-term assets	<u>198,643</u>
Net assets July 1, 2003, as restated	<u>\$2,557,444</u>

14. OPERATING LEASE

The County has entered into a lease agreement for a postage machine. Rental expense incurred for this lease was \$5,238 for the year ended June 30, 2004. Minimum amounts payable under this operating lease are as follows:

Year ending <u>June 30,</u>	
2005	\$ 6,984
2006	6,984
2007	6,984
2008	6,984
2009	<u>5,238</u>
Total minimum lease payments	<u>\$33,174</u>

REQUIRED SUPPLEMENTARY INFORMATION

SAC COUNTY
BUDGETARY COMPARISON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES - BUDGET
AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and other County tax	\$ 3,878,971	\$ -	\$ 3,878,971	\$ 3,882,434	\$ 3,882,434	\$ (3,463)
Interest and penalty on property tax	27,140	-	27,140	7,198	7,198	19,942
Intergovernmental	3,354,937	-	3,354,937	3,784,573	3,898,304	(543,367)
Licenses and permits	11,926	-	11,926	2,600	2,600	9,326
Charges for service	1,316,388	-	1,316,388	895,800	910,800	405,588
Use of money and property	112,026	-	112,026	80,890	91,890	20,136
Miscellaneous	472,758	420,553	52,205	3,000	5,000	47,205
Total receipts	<u>9,174,146</u>	<u>420,553</u>	<u>8,753,593</u>	<u>8,656,495</u>	<u>8,798,226</u>	<u>(44,633)</u>
Disbursements:						
Public safety and legal services	1,369,221	-	1,369,221	1,527,750	1,542,308	173,087
Physical health and social services	599,210	-	599,210	688,790	695,190	95,980
Mental health	1,316,825	-	1,316,825	1,280,070	1,353,645	36,820
County environment and education	520,168	-	520,168	599,635	599,635	79,467
Roads and transportation	2,707,145	-	2,707,145	2,964,450	2,964,450	257,305
Governmental services to residents	299,471	-	299,471	305,015	305,015	5,544
Administration	789,018	-	789,018	906,941	915,941	126,923
Debt service	21,504	-	21,504	23,320	23,320	1,816
Capital projects	512,234	113,934	398,300	830,000	830,000	431,700
Total disbursements	<u>8,134,796</u>	<u>113,934</u>	<u>8,020,862</u>	<u>9,125,971</u>	<u>9,229,504</u>	<u>1,208,642</u>
Excess (deficiency) of receipts over disbursements	1,039,350	306,619	732,361	(469,476)	(431,278)	(1,164,009)
Other financing sources (uses), net	<u>(294,194)</u>	<u>(294,194)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	745,156	12,425	732,361	(469,476)	(431,278)	(1,164,009)
Balance beginning of year	<u>2,276,148</u>	<u>82,548</u>	<u>2,193,600</u>	<u>1,423,599</u>	<u>1,423,599</u>	<u>770,001</u>
Balance end of year	<u>\$ 3,021,304</u>	<u>\$ 94,973</u>	<u>\$ 2,925,961</u>	<u>\$ 954,123</u>	<u>\$ 992,321</u>	<u>\$(1,934,010)</u>

See accompanying independent auditor's report.

SAC COUNTY
BUDGETARY COMPARISON SCHEDULE-BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$9,174,146	\$ 78,218	\$9,252,364
Expenditures	<u>8,134,796</u>	<u>527,033</u>	<u>8,661,829</u>
Net	1,039,350	(448,815)	590,535
Other financing sources, net	(294,194)	-	(294,194)
Beginning fund balances	<u>2,276,148</u>	<u>799,363</u>	<u>3,075,511</u>
Ending fund balances	<u>\$3,021,304</u>	<u>\$ 350,548</u>	<u>\$3,371,852</u>

See accompanying independent auditor's report.

SAC COUNTY
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$103,533. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the E911 Service Board, and for Disaster Services by the Sac County Emergency Management Commission.

OTHER SUPPLEMENTARY INFORMATION

SAC COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

Schedule 1

	Special Revenue							Total
	County Recorder's Sheriff	County Recorder's Management	Drainage Districts	Resource Enhancement and Protection	Conservation Land Acquisition	Recorder's Electronic Transactions	Debt Service	
ASSETS								
Cash and pooled investments	\$ 33,238	\$ 14,616	\$ 94,973	\$ 77,334	\$ 169,706	\$ 22,720	\$ 131	\$ 412,718
Receivables:								
Property tax:								
Delinquent	-	-	-	-	-	-	43	43
Succeeding year	-	-	-	-	-	-	13,572	13,572
Accrued interest	627	6	-	92	-	9	-	734
Drainage assessments	-	-	26,670	-	-	-	-	26,670
Due from other governments	-	1,005	-	-	-	14,196	-	15,201
Total assets	<u>\$ 33,865</u>	<u>\$ 15,627</u>	<u>\$ 121,643</u>	<u>\$ 77,426</u>	<u>\$ 169,706</u>	<u>\$ 36,925</u>	<u>\$ 13,746</u>	<u>\$ 468,938</u>
LIABILITIES AND FUND EQUITY								
Liabilities:								
Interest payable	\$ -	\$ -	\$ 45,143	\$ -	\$ -	\$ -	\$ -	\$ 45,143
Deferred revenue:								
Succeeding year	-	-	-	-	-	-	13,572	13,572
Other	-	-	26,670	-	-	-	36	26,706
Total liabilities	<u>-</u>	<u>-</u>	<u>71,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,608</u>	<u>85,421</u>
Fund equity:								
Fund balances:								
Reserved for:								
Drainage warrants	-	-	(31,153)	-	-	-	-	(31,153)
Future expenditures	-	-	80,983	-	-	-	-	80,983
Debt service	-	-	-	-	-	-	138	138
Unreserved	<u>33,865</u>	<u>15,627</u>	<u>-</u>	<u>77,426</u>	<u>169,706</u>	<u>36,925</u>	<u>-</u>	<u>333,549</u>
Total fund equity	<u>33,865</u>	<u>15,627</u>	<u>49,830</u>	<u>77,426</u>	<u>169,706</u>	<u>36,925</u>	<u>138</u>	<u>383,517</u>
Total liabilities and fund equity	<u>\$ 33,865</u>	<u>\$ 15,627</u>	<u>\$ 121,643</u>	<u>\$ 77,426</u>	<u>\$ 169,706</u>	<u>\$ 36,925</u>	<u>\$ 13,746</u>	<u>\$ 468,938</u>

See accompanying independent auditor's report.

SAC COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

Schedule 2

	Special Revenue								Total
	Sheriff	County Recorder's Records Management	Drainage Districts	Drug Control	Resource Enhancement and Protection	Conservation Land Acquisition	Recorder's Electronic Transactions	Debt Service	
Revenues:									
Proprietary and other County tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,932	\$ 21,932
Intergovernmental	-	-	-	-	9,561	-	36,885	1,349	47,795
Charges for services	-	3,455	-	-	-	26,173	-	-	29,628
Use of money and property	1,343	92	-	-	467	-	40	-	1,942
Miscellaneous	1,360	-	420,553	-	-	900	-	-	422,813
Total revenues	<u>2,703</u>	<u>3,547</u>	<u>420,553</u>	<u>-</u>	<u>10,028</u>	<u>27,073</u>	<u>36,925</u>	<u>23,281</u>	<u>524,110</u>
Expenditures:									
Operating:									
Public safety and legal services	12,820	-	-	2,730	-	-	-	-	15,550
Governmental services to residents	-	787	-	-	-	-	-	-	787
Non-program	-	-	70,135	-	-	-	-	-	70,135
Debt service	-	-	-	-	-	-	-	21,504	21,504
Capital projects	-	-	-	-	-	397	-	-	397
Total expenditures	<u>12,820</u>	<u>787</u>	<u>70,135</u>	<u>2,730</u>	<u>-</u>	<u>397</u>	<u>-</u>	<u>21,504</u>	<u>108,373</u>
Excess (deficiency) of revenues over expenditures	(10,117)	2,760	350,418	(2,730)	10,028	26,676	36,925	1,777	415,737
Other financing uses:									
Drainage district warrants	-	-	(294,194)	-	-	-	-	-	(294,194)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(10,117)	2,760	56,224	(2,730)	10,028	26,676	36,925	1,777	121,543
Fund balances beginning of year	<u>43,982</u>	<u>12,867</u>	<u>(6,394)</u>	<u>2,730</u>	<u>67,398</u>	<u>143,030</u>	<u>-</u>	<u>(1,639)</u>	<u>261,974</u>
Fund balances end of year	<u>\$ 33,865</u>	<u>\$ 15,627</u>	<u>\$ 49,830</u>	<u>\$ -</u>	<u>\$ 77,426</u>	<u>\$ 169,706</u>	<u>\$ 36,925</u>	<u>\$ 138</u>	<u>\$ 383,517</u>

See accompanying independent auditor's report.

SAC COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS
 AND LIABILITIES - AGENCY FUNDS
 JUNE 30, 2004

Schedule 3

	County Offices	Agricultural Extension	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
ASSETS										
Cash and pooled investments:										
County treasurer	\$ -	\$ 564	\$ 86,657	\$ 34,985	\$ 1,833	\$ 26,723	\$ 619	\$ 243,375	\$ 142,463	\$ 537,219
Other County officials	30,512	-	-	-	-	-	-	-	-	30,512
Receivables:										
Property tax:										
Delinquent	-	139	242	8,901	463	10,235	64	-	3	20,047
Succeeding year	-	102,671	136,464	5,340,362	295,230	1,852,399	165,968	-	1,576	7,894,670
Accounts	-	-	-	-	-	-	-	-	14,385	14,385
Due from other governments	-	-	-	-	-	-	-	-	2,090	2,090
Total assets	<u>\$ 30,512</u>	<u>\$ 103,374</u>	<u>\$ 223,363</u>	<u>\$ 5,384,248</u>	<u>\$ 297,526</u>	<u>\$ 1,889,357</u>	<u>\$ 166,651</u>	<u>\$ 243,375</u>	<u>\$ 160,517</u>	<u>\$ 8,498,923</u>
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ 982	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,016	\$ 3,998
Salaries and benefits payable	-	-	-	-	-	-	-	-	950	950
Due to other governments	<u>30,512</u>	<u>103,374</u>	<u>222,381</u>	<u>5,384,248</u>	<u>297,526</u>	<u>1,889,357</u>	<u>166,651</u>	<u>243,375</u>	<u>156,551</u>	<u>8,493,975</u>
Total liabilities	<u>\$ 30,512</u>	<u>\$ 103,374</u>	<u>\$ 223,363</u>	<u>\$ 5,384,248</u>	<u>\$ 297,526</u>	<u>\$ 1,889,357</u>	<u>\$ 166,651</u>	<u>\$ 243,375</u>	<u>\$ 160,517</u>	<u>\$ 8,498,923</u>

See accompanying independent auditor's report.

SAC COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2004

Schedule 4

	County Offices	Agricultural Extension	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
ASSETS AND LIABILITIES										
Balances beginning of year	\$ 24,984	\$ 95,806	\$ 232,640	\$ 5,921,530	\$ 311,565	\$ 1,878,107	\$ 185,107	\$ 198,781	\$ 157,002	\$ 9,005,522
Additions:										
Property and other County tax	-	102,630	136,285	5,338,361	295,098	1,852,683	166,009	-	1,575	7,892,641
E911 surcharge	-	-	-	-	-	-	-	-	73,554	73,554
State tax credits	-	5,801	9,703	360,002	18,858	162,640	9,772	-	121	566,897
Office fees and collections	193,498	-	-	-	-	-	-	-	20,473	213,971
Electronic transaction fee	-	-	-	-	-	-	-	-	17,293	17,293
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	2,653,297	-	2,653,297
Assessments	-	-	-	-	-	-	-	-	31,982	31,982
Trusts	146,207	-	-	-	-	-	-	-	-	146,207
Miscellaneous	637,295	-	-	-	-	-	-	-	39,269	676,564
Total additions	977,000	108,431	145,988	5,698,363	313,956	2,015,323	175,781	2,653,297	184,267	12,272,406
Deductions:										
Agency remittances:										
To other funds	124,889	-	-	-	-	-	-	92,442	-	217,331
To other governments	700,376	100,863	155,265	6,235,645	327,995	2,004,073	194,237	2,516,261	180,752	12,415,467
Trusts paid out	146,207	-	-	-	-	-	-	-	-	146,207
Total deductions	971,472	100,863	155,265	6,235,645	327,995	2,004,073	194,237	2,608,703	180,752	12,779,005
Balances end of year	\$ 30,512	\$ 103,374	\$ 223,363	\$ 5,384,248	\$ 297,526	\$ 1,889,357	\$ 166,651	\$ 243,375	\$ 160,517	\$ 8,498,923

See accompanying independent auditor's report.

SAC COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY
FUNCTION - ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

Schedule 5

	Modified Accrual Basis			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues:				
Property and other County tax	\$ 3,879,746	\$ 3,530,628	\$ 2,866,537	\$ 2,638,666
Interest and penalty on property tax	27,543	28,374	25,398	22,562
Intergovernmental	3,956,167	3,818,787	3,596,884	3,511,416
Licenses and permits	12,075	12,911	11,105	5,150
Charges for service	797,098	703,444	745,073	915,331
Use of money and property	102,371	114,815	123,943	222,744
Miscellaneous	477,364	193,574	503,406	38,566
Total	<u>\$ 9,252,364</u>	<u>\$ 8,402,533</u>	<u>\$ 7,872,346</u>	<u>\$ 7,354,435</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,379,201	\$ 1,367,992	\$ 1,411,496	\$ 1,361,996
Physical health and social services	601,221	625,728	624,352	549,177
Mental health	1,386,637	1,274,751	1,231,458	1,160,497
County environment and education	519,182	566,887	570,688	551,522
Roads and transportation	2,988,146	2,774,141	2,494,516	2,446,794
Governmental services to residents	299,634	290,975	263,614	241,244
Administration	779,160	735,531	971,608	925,034
Non-program	70,135	123,330	404,180	455,883
Debt service	21,504	63,320	24,911	-
Capital projects	617,009	416,221	459,578	755,662
Total	<u>\$ 8,661,829</u>	<u>\$ 8,238,876</u>	<u>\$ 8,456,401</u>	<u>\$ 8,447,809</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Officials of Sac County:

We have audited the financial statements of Sac County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 23, 2004. Our opinion expressed a qualified opinion on the financial statements due to the omission of capital assets which should be included in order to conform with U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Sac County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item II-G-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sac County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Sac County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we believe items II-(A,B, and D)-04 are material weaknesses. Prior year reportable conditions have been resolved except for items II-(A,B, and C)-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Sac County and other parties to whom Sac County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sac County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Hungelman, Putzier & Co.

September 23, 2004

SAC COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- | | <u>Applicable Offices</u> |
|--|--|
| 1. All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records. | Auditor, Treasurer,
Recorder, Sheriff |
| 2. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash. | Treasurer, Sheriff,
Recorder |
| 3. Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment. | Auditor, Treasurer,
Recorder, Sheriff |

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response - The Board of Supervisors and the department heads continually strive to segregate the duties of the offices as limited staff will allow.

Conclusion - Response accepted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Financial Statements: (Continued)

REPORTABLE CONDITIONS: (Continued)

I-B-04 Inventory of Capital Assets - An inventory of capital assets is not maintained.

Recommendation - Generally accepted accounting principles require that a statement of capital assets be disclosed in order to present fairly the financial position of the County. We recommend that this situation be reviewed and appropriate action be taken as soon as practicable to establish an inventory of capital assets owned by the County.

Response - Limited funds and staff continue to slow the process of implementing an inventory of fixed assets.

Conclusion - Response accepted.

I-C-04 Electronic Data Processing Systems - During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change logins/passwords periodically.
- ensuring that only software licensed to the County is installed on computers.
- usage of the internet.

Also, the County does not have a written disaster recovery plan.

Recommendation - The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. Also, a written disaster recovery plan should be developed.

Response - The Board of Supervisors and department heads will work to develop a policy regarding electronic data processing systems and a disaster recovery plan.

Conclusion - Response accepted.

SAC COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Financial Statements: (Continued)

REPORTABLE CONDITIONS: (Continued)

- I-D-04 Ambulance Accounts Receivable - In reviewing the Ambulance accounts receivable as of June 30, 2004, it appears there are some very old accounts still listed here which may be uncollectible.

Recommendation - The Board should periodically review the accounts receivable and, based on recommendations from the Ambulance director, authorize the write-off of certain accounts.

Response - The Ambulance director will be required to provide to the Board of Supervisors a list of accounts receivable with recommendations for writing off certain outstanding accounts.

Conclusion - Response accepted.

- I-E-04 Assessor Cashing Checks - The Assessor receives checks for making copies, sending faxes, etc. These checks are cashed by the Assessor and the cash is maintained and periodically deposited with the Treasurer.

Recommendation - All checks should be deposited timely with the Treasurer and should not be converted to cash. The Assessor could maintain a small petty cash fund but large amounts of cash should be deposited immediately with the Treasurer.

Response - The Assessor is currently depositing checks with the county treasurer in a timely fashion and maintaining a moderate petty cash fund.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-04 Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004 did not exceed the amount budgeted in any function.
- II-C-04 Questionable Expenditures - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-04 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-E-04 Business Transactions - No business transactions between the County and County official's or employees were noted.

SAC COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

II-F-04 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.

II-G-04 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not. However, although the published minutes did contain a list of claims, this list did not show the purpose of the claim as required by Chapter 349.18 of the Code of Iowa and several Attorney General's opinions.

Recommendation - Published minutes should contain a list of all approved claims and the purpose of the claim.

Response - The list of claims is published with the board minutes pursuant to Iowa Code 349.18. The Code does not address the purpose of the claim. The purpose of the claim is not listed in an effort to control the publication costs.

Conclusion - Response acknowledged. However, an Attorney General's opinion interprets the Code to require publications of the purpose of the claim.

II-H-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

II-I-04 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-J-04 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

II-K-04 Carryover of Compensatory Hours - Unused compensatory time for several employees appears to be in excess of the established policy.

Recommendation - Unused compensatory time should be monitored closely to determine that it is within County policy and legal guidelines.

Response - All department heads are advised of the policies regarding compensatory time and how it should be maintained.

Conclusion - Response accepted.

SAC COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-L-04 Emergency Management Budget - Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the Emergency Management department.

Recommendation - The budget should have been amended in accordance with the Code of Iowa before disbursements were allowed to exceed the budget.

Response - A review of the condition of individual budgeted fund balances will be conducted in a timely fashion to prevent exceeding approved budgets.

Conclusion - Response accepted.

- II-M-04 E911 Fund Designations - There are fund designations noted in the budget forms for E911. However, there does not appear to be any documentation or Board approval of any specific purpose for this designation.

Recommendation - The E911 surcharge fund is limited to the amount they may have in undesignated fund balance without affecting the amount to be raised from the surcharge. As a result there should be specific plans documented for any designated fund balance.

Response - Specific plans will be documented and made part of the budget record regarding excessive fund balance.

Conclusion - Response accepted.